

CARROLL COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

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Carroll Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Laurie Kasperbauer	President	2007
Kim Tiefenthaler	Vice President	2008
Jerry Fleshner	Board Member	2009
Penny Harmening	Board Member	2009
LaVern Dirkx	Board Member	2008
Board of Education (After September 2007 Election)		
Kim Tiefenthaler	President	2008
Penny Harmening	Vice President	2009
Amy Fordyce	President	2010
Jerry Fleshner	Board Member	2009
LaVern Dirkx	Board Member	2008
School Officials		
Robert Cordes	Superintendent	2008
Gary Bengtson	Director of Business Affairs	2008
Gruhn Law Firm	Attorney	2008
Neu, Minnich, Comito and Neu, P.C.	Attorney	2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Carroll Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Carroll Community School District, Carroll, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Carroll Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 9, 2009 on our consideration of Carroll Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 33 through 34 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Carroll Community School District's basic financial statements. We previously audited the year ended June 30, 2007 (not presented herein) in accordance with the standards referred to in the second paragraph of this report and unqualified opinions were expressed on those financial statements. Another auditor previously audited the three years ended June 30, 2006, (none of which are presented herein) in accordance with the standards referred to in the second paragraph of this report, and unqualified opinions were expressed on those financial statements. The supplemental information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 9, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Carroll Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$14,575,347 in fiscal 2007 to \$15,481,606 in fiscal 2008, while General Fund expenditures increased from \$14,046,190 in fiscal 2007 to \$14,772,514 in fiscal 2008. This resulted in an increase in the District's General Fund balance from \$1,879,879 in fiscal 2007 to a balance of \$2,588,991 in fiscal 2008, a 37.72% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in local and state sources in fiscal 2008. The increase in expenditures was due primarily to increases in negotiated salaries and benefits as well as increases in expenditures funded by grants received by the District.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) increased from 11.5% for fiscal year 2007 compared 15.8% for fiscal year 2008. The State School Budget Review Committee recommends a solvency ratio of 5% - 10%.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Carroll Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Carroll Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Carroll Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Carroll Community School District Annual Financial Report

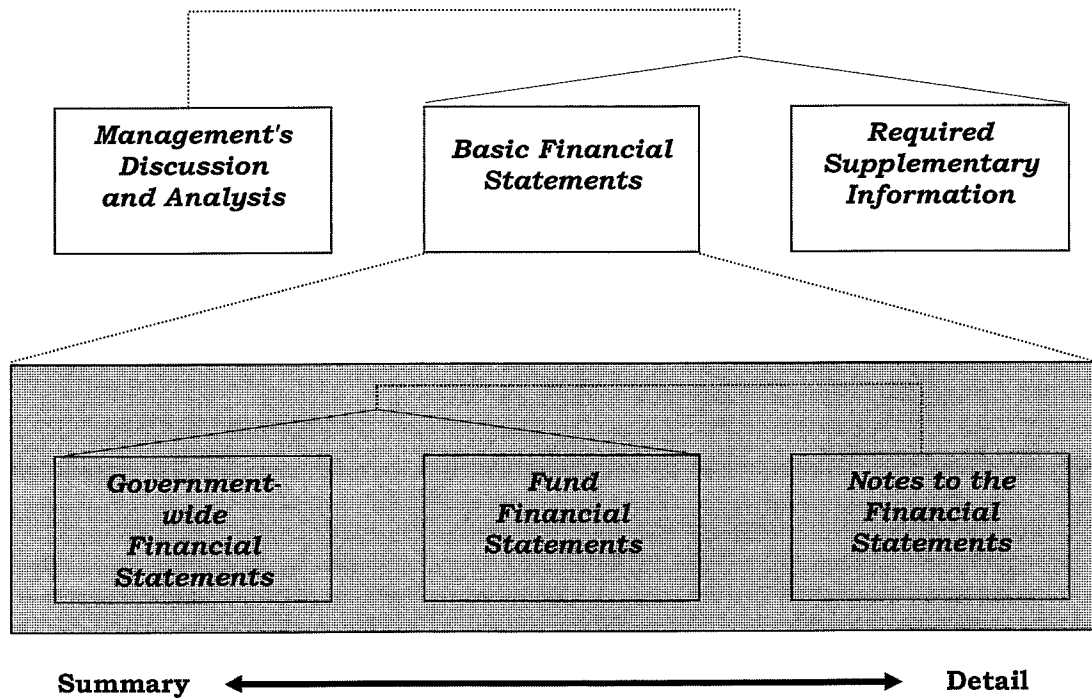


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and the Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 14,219,286	13,012,319	147,068	168,388	14,366,354	13,180,707	9.00%
Capital assets	15,854,259	15,809,682	64,286	76,769	15,918,545	15,886,451	0.20%
Total assets	30,073,545	28,822,001	211,354	245,157	30,284,899	29,067,158	4.19%
Long-term obligations	4,139,023	4,610,925	0	0	4,139,023	4,610,925	-10.23%
Other liabilities	10,093,700	9,942,306	15,481	15,426	10,109,181	9,957,732	1.52%
Total liabilities	14,232,723	14,553,231	15,481	15,426	14,248,204	14,568,657	-2.20%
Net assets:							
Invested in capital assets, net of related debt	11,819,259	11,314,682	64,286	76,769	11,883,545	11,391,451	4.32%
Restricted	1,625,240	1,344,045	0	0	1,625,240	1,344,045	20.92%
Unrestricted	2,396,323	1,610,043	131,587	152,962	2,527,910	1,763,005	43.39%
Total net assets	\$ 15,840,822	14,268,770	195,873	229,731	16,036,695	14,498,501	10.61%

The District's combined net assets increased by 10.61%, or \$1,538,194, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 20.92%, or \$281,195, over the prior year. Increases in fund balance for the Special Revenue, Management Fund and the Capital Projects Fund are the main reasons for the increase in restricted funds.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$764,905, or 43.39%. This is due mainly to the increase in General Fund carryover balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 848,141	757,990	413,319	382,612	1,261,460	1,140,602	10.60%
Operating grants and contributions and restricted interest	2,399,966	2,131,434	295,561	348,511	2,695,527	2,479,945	8.69%
General revenues:							
Property tax	6,515,118	6,547,509	0	0	6,515,118	6,547,509	-0.49%
Local option sales and services tax	1,064,522	1,099,277	0	0	1,064,522	1,099,277	-3.16%
Unrestricted state grants	6,604,582	6,299,089	0	0	6,604,582	6,299,089	4.85%
Other	358,701	392,941	4,855	6,496	363,556	399,437	-8.98%
Total revenues	17,791,030	17,228,240	713,735	737,619	18,504,765	17,965,859	3.00%
Program expenses:							
Governmental activities:							
Instructional	10,194,259	9,721,394	0	0	10,194,259	9,721,394	4.86%
Support services	4,636,128	4,687,471	7,092	2,072	4,643,220	4,689,543	-0.99%
Non-instructional programs	115	145	740,501	749,969	740,616	750,114	-1.27%
Other expenses	1,388,476	1,360,836	0	0	1,388,476	1,360,836	2.03%
Total expenses	16,218,978	15,769,846	747,593	752,041	16,966,571	16,521,887	2.69%
Changes in net assets	1,572,052	1,458,394	(33,858)	(14,422)	1,538,194	1,443,972	6.53%
Beginning net assets	14,268,770	12,810,376	229,731	244,153	14,498,501	13,054,529	11.06%
Ending net assets	\$ 15,840,822	14,268,770	195,873	229,731	16,036,695	14,498,501	10.61%

In fiscal 2008, property tax and unrestricted state grants account for 73.74% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.32% of the revenue from business type activities.

The District's total revenues were approximately \$18.50 million of which \$17.79 million was for governmental activities and approximately \$0.71 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.0% increase in revenues and a 2.69% increase in expenses. Unrestricted state grants increased \$305,493 to fund increases in expenditures. The increase in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$17,791,030 and expenses were \$16,218,978.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 10,194,259	9,721,394	4.86%	7,920,314	7,772,445	1.90%
Support services	4,636,128	4,687,471	-1.10%	4,327,036	4,377,990	-1.16%
Non-instructional programs	115	145	-20.69%	115	145	-20.69%
Other expenses	1,388,476	1,360,836	2.03%	723,406	729,842	-0.88%
Totals	<u>\$ 16,218,978</u>	<u>15,769,846</u>	<u>2.85%</u>	<u>12,970,871</u>	<u>12,880,422</u>	<u>0.70%</u>

- The cost financed by users of the District's programs was \$848,141.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,399,966.
- The net cost of governmental activities was financed with \$6,515,118 in property tax, \$1,064,522 in local option sales and service tax, \$6,604,582 in state grants and \$226,576 in interest income.

Business-Type Activities

Revenues of the District's business-type activity were \$713,735 and expenses were \$747,593. The District's business-type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Carroll Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,155,905, above last year's ending fund balances of \$3,103,475. However, the primary reason for the increase in combined fund balances is because of gains in fund balance by the General Fund and the Capital Projects Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in local and state source revenues resulted in an increase in revenues. The increase in salaries and benefits is one of the reasons for the increase in expenditures. The increase in revenues was enough to offset the increase in expenditures; the net result was an increase in fund balance from \$1,879,879 in fiscal 2007 to \$2,588,991 in fiscal 2008.
- The Capital Projects fund balance overall increased from \$579,617 in fiscal 2007 to \$692,745 in fiscal 2008. The increase in fund balance is attributable to the increase in revenues being more than enough to offset the increase in fund expenditures.
- The Special Revenue – Management Levy Fund balance increased from \$347,875 in fiscal 2007 to \$552,734 in fiscal 2008. As compared to the previous year, revenues increased while expenditures decreased; the net effect was the increase in fund balance from fiscal year 2007 to 2008.

Proprietary Fund Highlights

The School Nutrition Fund's increase in federal revenues was not enough to offset the continued increase in food costs, and salaries and benefits. Overall, net assets decreased from \$229,731 at June 30, 2007 to \$195,873 at June 30, 2008, representing a decrease of 14.74%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$499,336 less than budgeted revenues, a variance of 2.63%. The most significant variance resulted from the District receiving less in federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$15,918,545, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 0.20% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$772,936.

The original cost of the District's capital assets was \$31,414,178. Governmental funds account for \$30,973,796 with the remainder of \$440,382 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2007 as compared to \$462,449 at June 30, 2008. This increase in construction in progress is due to renovations projects at Fairview Elementary School.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 544,070	544,070	0	0	544,070	544,070	0.00%
Construction in progress	462,449	0	0	0	462,449	0	100.00%
Buildings	13,002,185	13,352,787	0	0	13,002,185	13,352,787	-2.63%
Land improvements	918,469	947,644	0	0	918,469	947,644	-3.08%
Machinery and equipment	927,086	965,181	64,286	76,769	991,372	1,041,950	-4.85%
Total	\$ 15,854,259	15,809,682	64,286	76,769	15,918,545	15,886,451	0.20%

Long-Term Debt

At June 30, 2008, the District had \$4,139,023 in general obligation bonds and other long-term debt outstanding. This represents a decrease of approximately 10.2% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$4,035,000 at June 30, 2008.

The District also had total outstanding compensated absences of \$39,126 at June 30, 2008.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$64,897 at June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 4,035,000	4,495,000	-10.2%
Compensated absences	39,126	51,601	-24.2%
Early retirement	64,897	64,324	0.9%
Total	\$ 4,139,023	4,610,925	-10.2%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could affect its financial health in the future:

- Enrollment in the Carroll Community School District has declined approximately 6.08% or 112 students over the past five years. The largest decline was from the 2006-2007 to 2007-2008 school years when the enrollment dropped 89 students. The statewide enrollment trend over the same five years is up 0.41%. It is anticipated that enrollment will exhibit a slight downward trend over the next several years. One factor affecting enrollment is the declining number of non-public students taking shared-time classes offered by the Carroll Community School District. To offset this trend, however, a growing number of Ar-We-Va Community School District students are taking classes on a shared basis at Carroll High School.
- State allowable growth over the past five years has averaged 3.20%. With its decline in enrollment, the Carroll Community School District has averaged 2.4% allowable growth over this same period. While state allowable growth has fluctuated from 1% to 4% over the last decade, the last three years have been set at 4%. It would appear that allowable growth will remain at 4% through the 2008-2009 school year. Financial stability at the state level will assist Iowa school districts in adequately planning for future needs.
- On August 16, 2005 the District held a special election on a one percent School Infrastructure Local Option Sales Tax. The referendum passed with a 62% approval rate. This one cent tax was for a ten year period. The 2008 Iowa Legislature replaced the Local Option Sales Tax with a statewide one cent sales tax. This tax will generate approximately one million dollars annually for the District until the year 2028. Funds may only be used for infrastructure, major equipment purchases and property tax relief in the Debt Service Fund. The District has committed \$400,000 annually for property tax relief.

-
- On August 16, 2005, the District held a special election on a one percent School Infrastructure Local Option Sales Tax. The referendum passed with a 62% approval rate. This additional tax will generate approximately one million dollars annually for the District for ten years. Funds may only be used for infrastructure, major equipment purchases, and property tax relief in the Debt Service Fund. The District has committed \$400,000 annually for property tax relief.
 - On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007, and will increase to 6.35% on July 1, 2008, to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. This will increase the Carroll Community Schools' employer benefit costs over the next four years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gary Bengtson, Director of Business Affairs, Carroll Community School District, 1026 North Adams Street, Carroll, Iowa, 51401.

BASIC FINANCIAL STATEMENTS

CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 1,160,381	0	1,160,381
Other	5,440,389	122,155	5,562,544
Receivables:			
Property tax:			
Delinquent	42,610	0	42,610
Succeeding year	7,047,509	0	7,047,509
Accounts	9,321	196	9,517
Accrued ISCAP interest(Note 4)	440	0	440
Due from other governments	502,404	157	502,561
Inventories	0	19,533	19,533
Prepaid expenses	16,232	5,027	21,259
Capital assets, net of accumulated depreciation(Note 5)	15,854,259	64,286	15,918,545
TOTAL ASSETS	30,073,545	211,354	30,284,899
LIABILITIES			
Accounts payable	345,620	12	345,632
Salaries and benefits payable	1,487,950	3,458	1,491,408
ISCAP warrants payable(Note 4)	1,151,000	0	1,151,000
ISCAP interest payable(Note 4)	441	0	441
ISCAP unamortized premium	19,740	0	19,740
Accrued interest payable	30,319	0	30,319
Deferred revenue:			
Succeeding year property tax	7,047,509	0	7,047,509
Other	11,121	0	11,121
Unearned revenue	0	12,011	12,011
Long-term liabilities(Note 6):			
Portion due within one year:			
General obligation bonds payable	480,000	0	480,000
Early retirement payable	57,157	0	57,157
Compensated absences	39,126	0	39,126
Portion due after one year:			
General obligation bonds payable	3,555,000	0	3,555,000
Early retirement payable	7,740	0	7,740
TOTAL LIABILITIES	14,232,723	15,481	14,248,204
NET ASSETS			
Invested in capital assets, net of related debt	11,819,259	64,286	11,883,545
Restricted for:			
Talented and gifted	88,897	0	88,897
Beginning teacher mentoring	2,116	0	2,116
Additional teacher contract day	1,414	0	1,414
Market factor	1,393	0	1,393
Beginning administrator mentoring	3,000	0	3,000
Phase II	124	0	124
Early intervention	9,807	0	9,807
Textbook aid to nonpublic students	1,711	0	1,711
Professional development	6,785	0	6,785
Market factor incentives	7,976	0	7,976
Management levy	487,837	0	487,837
Physical plant and equipment levy	160,392	0	160,392
Capital projects	692,745	0	692,745
Debt service	22,379	0	22,379
Other special revenue purposes	138,664	0	138,664
Unrestricted	2,396,323	131,587	2,527,910
TOTAL NET ASSETS	\$ 15,840,822	195,873	16,036,695

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 6,182,094	506,382	1,264,770	(4,410,942)	0	(4,410,942)
Special instruction	2,079,689	106,128	134,534	(1,839,027)	0	(1,839,027)
Other instruction	1,932,476	208,610	53,521	(1,670,345)	0	(1,670,345)
	10,194,259	821,120	1,452,825	(7,920,314)	0	(7,920,314)
Support services:						
Student services	394,150	0	0	(394,150)	0	(394,150)
Instructional staff services	516,319	0	0	(516,319)	0	(516,319)
Administration services	1,519,366	0	0	(1,519,366)	0	(1,519,366)
Operation and maintenance of plant services	1,238,550	0	0	(1,238,550)	0	(1,238,550)
Transportation services	967,743	27,021	282,071	(658,651)	0	(658,651)
	4,636,128	27,021	282,071	(4,327,036)	0	(4,327,036)
Non-instructional programs:						
Food service operations	115	0	0	(115)	0	(115)
Other expenditures:						
Facilities acquisitions	15,923	0	0	(15,923)	0	(15,923)
Long-term debt interest	194,450	0	0	(194,450)	0	(194,450)
AEA flowthrough	665,070	0	665,070	0	0	0
Depreciation (unallocated)*	513,033	0	0	(513,033)	0	(513,033)
	1,388,476	0	665,070	(723,406)	0	(723,406)
Total governmental activities	16,218,978	848,141	2,399,966	(12,970,871)	0	(12,970,871)
Business-Type activities:						
Non-instructional programs:						
Support services:						
Administration services	2,001	0	0	0	(2,001)	(2,001)
Operation and maintenance of plant services	5,091	0	0	0	(5,091)	(5,091)
Nutrition services	740,501	413,319	295,561	0	(31,621)	(31,621)
	747,593	413,319	295,561	0	(38,713)	(38,713)
Total	\$ 16,966,571	1,261,460	2,695,527	(12,970,871)	(38,713)	(13,009,584)
General Revenues:						
Property tax levied for:						
General purposes				\$ 6,080,491	0	6,080,491
Debt service				256,127	0	256,127
Capital outlay				178,500	0	178,500
Local option sales and services tax				1,064,522	0	1,064,522
Unrestricted state grants				6,604,582	0	6,604,582
Unrestricted investment earnings				226,576	4,855	231,431
Gain on asset sale				20	0	20
Other				132,105	0	132,105
Total general revenues				14,542,923	4,855	14,547,778
Changes in net assets				1,572,052	(33,858)	1,538,194
Net assets beginning of year				14,268,770	229,731	14,498,501
Net assets end of year				\$ 15,840,822	195,873	16,036,695

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments				
ISCAP(Note 4)	\$ 1,160,381	0	0	1,160,381
Other	3,864,351	694,751	881,287	5,440,389
Receivables:				
Property tax				
Delinquent	37,047	0	5,563	42,610
Succeeding year	6,119,012	0	928,497	7,047,509
Accounts	9,321	0	0	9,321
Accrued ISCAP interest (Note 4)	440	0	0	440
Due from other governments	332,621	169,781	2	502,404
Prepaid expenses	16,232	0	0	16,232
TOTAL ASSETS	\$ 11,539,405	864,532	1,815,349	14,219,286
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 162,095	171,787	11,738	345,620
Salaries and benefits payable	1,487,950	0	0	1,487,950
ISCAP warrants payable (Note 4)	1,151,000	0	0	1,151,000
ISCAP interest payable (Note 4)	441	0	0	441
ISCAP unamortized premium	19,740	0	0	19,740
Deferred revenue:				
Succeeding year property tax	6,119,012	0	928,497	7,047,509
Other	10,176		945	11,121
Total liabilities	8,950,414	171,787	941,180	10,063,381
Fund balances:				
Reserved for:				
Talented and gifted	88,897	0	0	88,897
Beginning teacher mentoring	2,116	0	0	2,116
Additional teacher contract day	1,414	0	0	1,414
Market factor	1,393	0	0	1,393
Beginning administrator mentoring	3,000	0	0	3,000
Phase II	124	0	0	124
Early intervention	9,807	0	0	9,807
Textbook aid to nonpublic students	1,711	0	0	1,711
Professional development	6,785	0	0	6,785
Market factor incentives	7,976	0	0	7,976
Prepaid expenses	16,232	0	0	16,232
Unreserved:				
Undesignated:				
General	2,449,536	0	0	2,449,536
Management levy	0	0	552,734	552,734
Physical plant and equipment levy	0	0	160,392	160,392
Capital projects	0	692,745	0	692,745
Debt service	0	0	22,379	22,379
Other special revenue purposes	0	0	138,664	138,664
Total fund balances	2,588,991	692,745	874,169	4,155,905
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,539,405	864,532	1,815,349	14,219,286

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances of governmental funds (page 16) \$ 4,155,905

*Amounts reported for governmental activities in the
statement of net assets are different because:*

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported as
assets in the governmental funds. 15,854,259

Accrued interest payable on long-term liabilities is
not due and payable in the current period and, therefore,
is not reported as a liability in the governmental funds. (30,319)

Long-term liabilities, including general obligation bonds,
early retirement and compensated absences, are not due
and payable in the current period and, therefore, are not
reported as liabilities in the governmental funds. (4,139,023)

Net assets governmental activities (page 14) \$ 15,840,822

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 5,655,993	0	859,125	6,515,118
Local option sales and service tax	0	1,064,522	0	1,064,522
Tuition	570,581	0	0	570,581
Other	323,239	27,089	358,027	708,355
State sources	8,456,724	0	641	8,457,365
Federal sources	475,069	0	0	475,069
Total revenues	15,481,606	1,091,611	1,217,793	17,791,010
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	6,129,370	0	84,328	6,213,698
Special instruction	2,071,485	0	0	2,071,485
Other instruction	1,600,515	0	320,745	1,921,260
	9,801,370	0	405,073	10,206,443
Support services:				
Student services	392,422	0	0	392,422
Instructional staff services	420,658	79,817	0	500,475
Administration services	1,521,809	0	6,304	1,528,113
Operation and maintenance of plant services	1,129,226	0	118,379	1,247,605
Transportation services	841,959	35,831	51,346	929,136
	4,306,074	115,648	176,029	4,597,751
Non-instructional programs:				
Food service operations	0	0	115	115
Other expenditures:				
Facilities acquisitions	0	462,835	148,793	611,628
Long-term debt:				
Principal	0	0	460,000	460,000
Interest and fiscal charges	0	0	197,593	197,593
AEA flowthrough	665,070	0	0	665,070
	665,070	462,835	806,386	1,934,291
Total expenditures	14,772,514	578,483	1,387,603	16,738,600
Excess(Deficiency) of revenues over(under) expenditures	709,092	513,128	(169,810)	1,052,410
Other financing sources(uses):				
Transfer in	0	0	400,000	400,000
Transfer out	0	(400,000)	0	(400,000)
Sale of equipment and materials	20	0	0	20
Total other financing sources(uses)	20	(400,000)	400,000	20
Net change in fund balances	709,112	113,128	230,190	1,052,430
Fund balance beginning of year	1,879,879	579,617	643,979	3,103,475
Fund balance end of year	\$ 2,588,991	692,745	874,169	4,155,905

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 18) \$ 1,052,430

**Amounts reported for governmental activities in the
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 803,947	
Depreciation expense	<u>(759,370)</u>	44,577

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are the following:

Repaid	460,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

3,143

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement	\$ (573)	
Compensated Absences	<u>12,475</u>	<u>11,902</u>

Changes in net assets of governmental activities (page 15) \$ 1,572,052

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 122,155
Due from other governments	157
Accounts receivable	196
Inventories	19,533
Prepaid expenses	5,027
Capital assets, net of accumulated depreciation(note 5)	64,286
TOTAL ASSETS	<u>211,354</u>
LIABILITIES	
Accounts payable	12
Salaries and benefits payable	3,458
Unearned revenue	12,011
TOTAL LIABILITIES	<u>15,481</u>
NET ASSETS	
Invested in capital assets	64,286
Unrestricted	131,587
TOTAL NET ASSETS	<u>\$ 195,873</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 413,319
OPERATING EXPENSES:	
Support services:	
Administration services:	
Services	660
Other	1,341
Operation and maintenance of plant services	
Supplies	5,091
Total support services	<u>7,092</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	241,616
Benefits	99,429
Services	11,559
Supplies	370,711
Other	791
Depreciation	13,566
Total non-instructional programs	<u>737,672</u>
TOTAL OPERATING EXPENSES	<u>744,764</u>
OPERATING LOSS	<u>(331,445)</u>
NON-OPERATING REVENUES:	
State sources	9,404
Federal sources	286,157
Interest income	4,855
TOTAL NON-OPERATING REVENUES	<u>300,416</u>
Change in net assets before other financing uses	(31,029)
Other financing uses:	
Loss on asset disposal	<u>(2,829)</u>
Change in net assets	(33,858)
Net assets beginning of year	<u>229,731</u>
Net assets end of year	<u>\$ 195,873</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 411,577
Cash received from miscellaneous operating activities	4,959
Cash payments to employees for services	(340,915)
Cash payments to suppliers for goods or services	(359,612)
Net cash used in operating activities	<u>(283,991)</u>
Cash flows from non-capital financing activities:	
State grants received	9,404
Federal grants received	254,756
Net cash provided by non-capital financing activities	<u>264,160</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(3,912)</u>
Cash flows from investing activities:	
Interest on investments	<u>4,855</u>
Net decrease in cash and cash equivalents	(18,888)
Cash and cash equivalents at beginning of year	<u>141,043</u>
Cash and cash equivalents at end of year	<u>\$ 122,155</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (331,445)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	31,244
Depreciation	13,566
Increase in inventories	(673)
Decrease in accounts receivable	3,262
Decrease in accounts payable	(30)
Increase in salaries and benefits payable	130
Decrease in deferred revenue	(45)
Net cash used in operating activities	<u>\$ (283,991)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 122,155</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$31,244.

SEE NOTES TO FINANCIAL STATEMENTS.

CARROLL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Carroll Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served primarily includes the Cities of Carroll, Breda, Dedham, Halbur, Roselle, Mt. Carmel, Willey, Lidderdale, Templeton, and Maple River Iowa, and the predominate agricultural territory of Carroll County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Carroll Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Carroll Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Carroll County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary fund is the Enterprise, School Nutrition Fund. The Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Land improvements	10,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has

been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 4,724,552</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investor's Service.

Governmental Accounting Standards Board Statement Number 3 requires the District's investments to categorize to give an indication of the level of risk assumed by the District at year end. The HH Series Bonds held by the District are stated at fair value and are not subject to the risk categorization previously mentioned.

At June 30, 2008, the District had an investment in HH series bond in the amount as follows:

	Fair Value
HH Series Bond	\$ 35,000

(3) Interfund Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 400,000

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09A	6/26/2008	6/25/2009	\$ 1,160,381	440	1,151,000	441

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date

that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. No ISCAP advance activity in the General Fund was noted for the year ended June 30, 2008.

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	3.500%	3.469%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 544,070	0	0	544,070
Construction in progress	0	462,449	0	462,449
Total capital assets not being depreciated	544,070	462,449	0	1,006,519
Capital assets being depreciated:				
Buildings	20,116,275	125,301	0	20,241,576
Land improvements	1,517,296	7,955	0	1,525,251
Machinery and equipment	7,992,208	208,242	0	8,200,450
Total capital assets being depreciated	29,625,779	341,498	0	29,967,277
Less accumulated depreciation for:				
Buildings	6,763,488	475,903	0	7,239,391
Land improvements	569,652	37,130	0	606,782
Machinery and equipment	7,027,027	246,337	0	7,273,364
Total accumulated depreciation	14,360,167	759,370	0	15,119,537
Total capital assets being depreciated, net	15,265,612	(417,872)	0	14,847,740
Governmental activities capital assets, net	\$ 15,809,682	44,577	0	15,854,259
Business-type activities:				
Machinery and equipment	\$ 446,584	3,912	10,114	440,382
Less accumulated depreciation	369,815	13,566	7,285	376,096
Business-type activities capital assets, net	\$ 76,769	(9,654)	2,829	64,286

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 50,841
Special	8,204
Other	17,089

Support services:

Student services	1,728
Instructional services	10,386
Administration	3,692
Operation and maintenance	6,782
Transportation	147,615
	<u>246,337</u>

Unallocated depreciation

513,033

Total governmental activities depreciation expense

\$ 759,370

Business-type activities:

Food services	<u>\$ 13,566</u>
---------------	------------------

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 4,495,000	0	460,000	4,035,000	480,000
Compensated Absences	51,601	39,126	51,601	39,126	39,126
Early Retirement	64,324	52,271	51,698	64,897	57,157
Total	<u>\$ 4,610,925</u>	<u>91,397</u>	<u>563,299</u>	<u>4,139,023</u>	<u>576,283</u>

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond Issue of May 1, 2001		
		Principal	Interest	Total
2009	4.25 %	480,000	176,932	656,932
2010	4.25	500,000	156,440	656,440
2011	4.25	525,000	134,597	659,597
2012	4.25	545,000	111,143	656,143
2013	4.25	570,000	86,460	656,460
2014	4.25	595,000	60,035	655,035
2015	4.50	620,000	31,865	651,865
2016	5.00	200,000	7,300	207,300
Total		<u>\$ 4,035,000</u>	<u>764,772</u>	<u>4,799,772</u>

Early Retirement

The District offers a voluntary early retirement plan to all District employees. Eligible employees must be at least age fifty-five on or before July 1st the year of the retirement request. Eligible employees must have completed twenty years of continuous service or thirty years of non-continuous service to

the District. The applicant must submit a written resignation to resign from the existing contract and the resignation may be contingent upon approval by the Board of Education. The application for the program must be submitted to the Superintendent on or before January 15th of the last current school year of employment. The early retirement incentive for each eligible certified employee is equal to a cash payment of 50% of the employee's base salary calculated by using the current year regular salary schedule, and subject to a maximum of \$14,000 per individual, to be paid on July 1st, in the employee's name to the 403(b) employer sponsored defined contribution plan. At the option of the Board, the payment could be made over a period of time not to exceed five years. During the year ended June 30, 2008, the District paid \$51,698 in early retirement benefits.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$552,489, \$488,870 and \$479,446 respectively, equal to the required contributions for each year.

(8) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$665,070 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Construction Commitment

As of June 30, 2008, costs of \$462,449 had been incurred on various construction contracts for renovations at Fairview Elementary School. When construction is completed, the final cost of the projects will be added to the capital assets.

REQUIRED SUPPLEMENTARY INFORMATION

CARROLL COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental	Proprietary		Budgeted Amounts		Final to
	Fund Types	Fund Type	Total	Original	Final	Actual
	Actual	Actual	Actual			Variance
Revenues:						
Local sources	\$ 8,858,576	418,174	9,276,750	9,515,171	9,515,171	(238,421)
State sources	8,457,365	9,404	8,466,769	8,618,910	8,618,910	(152,141)
Federal sources	475,069	286,157	761,226	870,000	870,000	(108,774)
Total revenues	17,791,010	713,735	18,504,745	19,004,081	19,004,081	(499,336)
Expenditures:						
Instruction	10,206,443	0	10,206,443	11,603,500	11,603,500	1,397,057
Support services	4,597,751	7,092	4,604,843	5,530,600	5,530,600	925,757
Non-instructional programs	115	737,672	737,787	772,000	772,000	34,213
Other expenditures	1,934,291	0	1,934,291	2,348,961	2,348,961	414,670
Total expenditures	16,738,600	744,764	17,483,364	20,255,061	20,255,061	2,771,697
Excess(Deficiency)of revenues over(under) expenditures	1,052,410	(31,029)	1,021,381	(1,250,980)	(1,250,980)	2,272,361
Other financing sources, net	20	(2,829)	(2,809)	(4,000)	(4,000)	1,191
Excess(Deficiency) of revenues and other financing sources over(under) expenditures	1,052,430	(33,858)	1,018,572	(1,254,980)	(1,254,980)	2,273,552
Balance beginning of year	3,103,475	229,731	3,333,206	2,693,126	2,693,126	640,080
Balance end of year	\$ 4,155,905	195,873	4,351,778	1,438,146	1,438,146	2,913,632

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

CARROLL COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds					Total
	Manage-		Physical	Total		Other
	ment	Student	Plant and	Special	Debt	Nonmajor
	Levy	Activity	Equipment	Revenue	Service	Governmental
			Levy	Funds		Funds
ASSETS						
Cash and pooled investments	\$ 550,585	143,943	165,723	860,251	21,036	881,287
Receivables:						
Property tax						
Current year delinquent	2,780	0	1,167	3,947	1,616	5,563
Succeeding year	475,000	0	196,265	671,265	257,232	928,497
Due from other governments	1	0	0	1	1	2
TOTAL ASSETS	\$ 1,028,366	143,943	363,155	1,535,464	279,885	1,815,349
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 159	5,279	6,300	11,738	0	11,738
Deferred revenue:						
Succeeding year property tax	475,000	0	196,265	671,265	257,232	928,497
Other	473	0	198	671	274	945
Total liabilities	475,632	5,279	202,763	683,674	257,506	941,180
Fund balances:						
Reserved for debt service	0	0	0	0	22,379	22,379
Unreserved	552,734	138,664	160,392	851,790	0	851,790
Total fund balances	552,734	138,664	160,392	851,790	22,379	874,169
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,028,366	143,943	363,155	1,535,464	279,885	1,815,349

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 424,498	0	178,500	602,998	256,127	859,125
Other	40,516	312,945	3,625	357,086	941	358,027
State sources	317	0	136	453	188	641
Total revenues	465,331	312,945	182,261	960,537	257,256	1,217,793
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	84,328	0	0	84,328	0	84,328
Other instruction	0	320,745	0	320,745	0	320,745
Support services:						
Administration services	6,304	0	0	6,304	0	6,304
Operation and maintenance of plant services	118,379	0	0	118,379	0	118,379
Transportation services	51,346	0	0	51,346	0	51,346
Non-instructional programs:						
Food service operations	115	0	0	115	0	115
Other expenditures:						
Facilities acquisition	0	0	148,793	148,793	0	148,793
Long-term debt:						
Principal	0	0	0	0	460,000	460,000
Interest and fiscal charges	0	0	0	0	197,593	197,593
Total expenditures	260,472	320,745	148,793	730,010	657,593	1,387,603
Excess(Deficiency) of revenues over(under) expenditures	204,859	(7,800)	33,468	230,527	(400,337)	(169,810)
Other financing sources:						
Transfers in	0	0	0	0	400,000	400,000
Net change in fund balances	204,859	(7,800)	33,468	230,527	(337)	230,190
Fund balance beginning of year	347,875	146,464	126,924	621,263	22,716	643,979
Fund balance end of year	\$ 552,734	138,664	160,392	851,790	22,379	874,169

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
ISJIT investment	\$ 26,850	2,435	899	28,386
Interest	11,855	1,009	0	12,864
Drama	7,530	5,333	7,257	5,606
Speech	1,330	1,250	2,205	375
Vocal	8,670	11,259	11,143	8,786
HS band	0	9,254	8,005	1,249
Football	5,132	23,336	23,105	5,363
Wrestling	0	3,927	2,927	1,000
Volleyball	0	8,020	7,020	1,000
Sports camp	787	0	0	787
Basketball	0	10,396	10,336	60
Soccer	0	802	557	245
Baseball-softball	3,578	12,945	16,127	396
Track	0	3,462	3,072	390
Golf	0	1,005	900	105
Swimming	1,710	2,764	4,109	365
Activity tickets	21,292	63,884	72,138	13,038
Letterwinners	106	0	0	106
Weight room	1,443	130	1,573	0
Tiger banner newspaper	431	0	0	431
Cheerleaders	845	3,052	2,857	1,040
HS class accounts	1,195	6,494	4,711	2,978
Concessions	2,344	25,912	26,384	1,872
Academic competitions	5,821	1,940	1,140	6,621
FFA	9,989	55,016	52,114	12,891
FCCLA	2,135	83	0	2,218
National Honor Society	583	130	713	0
Tiger trends	1,779	0	1,779	0
HS student council	4,909	12,205	10,702	6,412
Fine arts festival	910	0	0	910
Yearbook	2,614	19,839	19,790	2,663
Dance/Drill team	4,178	4,447	4,156	4,469
MS band	1,085	6,842	7,632	295
MS G+T Store	2,681	779	1,358	2,102
MS student council	410	12,730	12,138	1,002
MS youth market place	826	0	0	826
MS destination imagination	2,086	900	2,986	0
Adams student council	11,360	1,365	912	11,813
Total	\$ 146,464	312,945	320,745	138,664

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources	8,858,576	8,877,725	8,335,891	7,488,451	7,546,200
Intermediate sources	0	19,285	0	65	228
State sources	8,457,365	7,846,948	7,353,539	7,150,935	6,476,515
Federal sources	475,069	505,885	546,403	698,099	661,011
Total	\$ 17,791,010	17,249,843	16,235,833	15,337,550	14,683,954
Expenditures:					
Instruction:					
Regular instruction	\$ 6,213,698	5,969,777	6,519,588	5,643,087	5,708,589
Special instruction	2,071,485	1,927,109	1,724,461	1,984,390	2,153,381
Other instruction	1,921,260	1,887,533	1,008,200	1,117,162	1,066,924
Support services:					
Student services	392,422	390,182	377,605	479,114	524,577
Instructional staff services	500,475	538,959	371,027	481,170	296,238
Administration services	1,528,113	1,497,596	1,409,424	1,280,991	1,206,753
Operation and maintenance of plant services	1,247,605	1,200,735	1,073,745	1,071,520	1,039,436
Transportation services	929,136	1,216,032	775,040	786,821	708,661
Other support services	0	0	0	435,669	1,003
Non-instructional programs	115	145	0	0	0
Other expenditures:					
Facilities acquisitions	611,628	65,729	38,090	61,717	260,167
Long-term debt:					
Principal	460,000	705,000	950,000	915,000	895,831
Interest and other charges	197,593	222,942	291,216	325,908	306,827
AEA flow-through	665,070	630,994	584,151	570,404	565,814
Total	\$ 16,738,600	16,252,733	15,122,547	15,152,953	14,734,201

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARROLL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 08	30,684
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 08	254,030 *
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	FY 08	1,443
			<u>286,157</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-G	<u>195,302</u>
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 08	<u>134,534</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 08	<u>22,261</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 08	<u>9,926</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)	84.298	FY 08	<u>3,445</u>
COMPREHENSIVE SCHOOL REFORM DEMONSTRATION	84.332	FY 06	<u>1,348</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 08	<u>88,469</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI)	84.369	FY 08	<u>12,320</u>
TOTAL			<u>\$ 753,762</u>

* includes \$31,244 of non-cash awards

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Carroll Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Carroll, Iowa 50208-3050
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Carroll Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Carroll Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 9, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Carroll Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Carroll Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Carroll Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Carroll Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Carroll Community School District's financial statements that is more than inconsequential will not be prevented or detected by Carroll Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carroll Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Carroll Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Carroll Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Carroll Community School District and other parties to whom Carroll Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Carroll Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 9, 2009

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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Carroll Community School District

Compliance

We have audited the compliance of Carroll Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Carroll Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Carroll Community School District's management. Our responsibility is to express an opinion on Carroll Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Carroll Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Carroll Community School District's compliance with those requirements.

In our opinion, Carroll Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Carroll Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Carroll Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Carroll Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-08 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Carroll Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Carroll Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Carroll Community School District and other parties to whom Carroll Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

March 9, 2009

CARROLL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements. The significant deficiency was not considered a material weakness.
- (d) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (e) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.556 - Special Milk Program for Children
 - Individual
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Carroll Community School District did not qualify as a low-risk auditee.

CARROLL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- II-A-08 Receipting/Depositing Process - During our audit, we noted that bank deposit slips do not contain detail of the composition of the deposit.

We also noted that the District's procedures for bringing money to the central office were not being followed every time. The procedure is that a person from each building brings money to be deposited to the central office daily along with a prepared deposit slip and receipts making up the deposit. However, the actual practice from the other buildings is to either mail the money and deposit slip to the central office or have an undesignated District employee take the money to the central office if that person is going to the central office.

Recommendation - The District should require individuals who are preparing the deposit slips to complete the listing of checks and insert the amount of currency included in the deposit. The District may also consider identifying which receipts are included in that specific deposit, noting in an area of the deposit slip the receipt numbers included on that deposit. The identification of the receipts to the deposit slip aids in identifying reconciling items when reconciling bank statements each month, as well as serving as a control to help ensure all receipts are being deposited.

The District should review with employees the importance of following District procedures at all times when bringing money to the central office for deposit. The District should consider designating an employee to courier to and from each building. Once money is brought to the central office, the money should be counted again for accuracy as well as making sure detail is written on each deposit slip.

Response - The District will implement a procedure to courier money from outlying buildings to the central office. Individuals who prepare slips will identify which receipts are included and the amount of currency included in the deposit.

Conclusion - Response accepted.

- II-B-08 District and Regional Rents - We noted during our audit that the district receives money for use of facilities when hosting district and regional events. The rents are currently being receipted into the Student Activity Fund.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage into the General Fund.

Response - The District will deposit rent receipts into the General Fund as required by Chapter 297.9 of the Code of Iowa.

Conclusion - Response accepted.

II-C-08 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

There are interest accounts in the Student Activity Fund. Moneys in these accounts should be allocated amongst the individual activity fund accounts that earned the interest during the year. Allocation of interest should be done at least annually.

The District writes various checks throughout the year for meal money for students that participate at state events as well as change boxes for start up cash at the gate for District events. It was noted that checks were being written to "Cash" instead of the custodian/sponsor for these events. Checks made out to "Cash" are bearer paper and in the event the check would be lost or stolen anyone could cash the check. In the future, the District should write the check to the custodian/sponsor of the event.

The District should review the properness of receipts and expenditures that are recorded in the Student Activity Fund. The District should also review procedures that are in place in regards to the Activity Fund and follow the suggested recommendations to gain compliance and better internal controls.

Response - Interest earned in the Student Activity Fund will be allocated on an annual basis to the individual student activity accounts that earned the interest. Checks for cash will be written to the sponsor of the event

Conclusion - Response accepted.

II-D-08 Commodity Pricing - We noted during our audit of the Enterprise, School Nutrition Fund that the District did not price out the commodity inventory using the correct values at the end of the year.

Recommendation - The District should review procedures in place for calculation of commodity inventory prices. The State of Iowa provides a price guide listing of values to be used in the calculation. The District needs to use the correct price values in calculating the inventory value at year end.

Response - We will use the State of Iowa's pricing guide listing to correctly calculate commodity inventory values at year end.

Conclusion - Response accepted.

II-E-08 Receipting Procedures - We noted that sponsors of student organizations were collecting money from individuals, fundraising events and other revenue fees. These collections are turned into the office for receipting, depositing and posting only after the event or fundraising drive is completed. When the money is turned into the office there does not appear to be supporting documentation for the money collected that later could be used for reconciliation uses. We noted that once collected at the office, these were handled in a comparable manner as receipts directly delivered to the office, where receipts are given and deposited. The copies of the receipts issued at the buildings are provided to the central office for posting and reconciling the bank statement. There does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposit.

Recommendation - The district actually maintains multiple layers of receipting from, sponsors, to the building office, to the central office. When sponsors or fundraising chairpersons submit money to the office for multiple previously collected receipts, they should provide documentation of their receipts. This documentation should be used when reconciling deposits to receipts.

Response - The District will require sponsors or fundraising chairpersons to provide documentation of their receipts which will be used in reconciling deposits to receipts.

Conclusion - Response accepted.

CARROLL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.556: Special Milk Program for Children
Federal Award Year: 2008
U.S. Department of Agriculture
Passed through the Iowa Department of Education

III-A-08 Free and Reduced Lunch Applications - We noted during our audit that a free and reduced application that was marked as free should have been marked as reduced.

Recommendation - The District should review the procedures in place for filing free and reduced lunch applications to ensure that the applications are filed correctly. The District should contact the Department of Education to correct the necessary reports.

Response - The District will review procedures for filing free and reduced lunch applications to ensure the applications are filed correctly. The application in question, as well as related reports, has been corrected.

Conclusion - Response accepted.

CARROLL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed the budgeted amounts.

IV-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

However, we noted that employees were charging actual and necessary school business expenses on their personal credit cards. When the employees sought reimbursement from the District, the employees were not always turning in detailed receipts of the expenses that were charged.

Recommendation - District Board Policy 401.7 states that employees seeking reimbursement for actual and necessary school business expenses must submit a detailed receipt showing the date, purpose and nature of the expense for each claim item. Failure to turn in detailed receipts to the District makes the expense the employees' expense and not the District's. The District should review Board Policy 401.7 and communicate to employees the ramifications to them if the policy is not followed.

Response - The District has issued a memo to all employees reviewing Board Policy 401.7 and stating that credit card statements or receipts are not sufficient documentation for reimbursement unless they provide detail as to the items or services purchased.

Conclusion - Response accepted.

IV-D-08 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kim Tiefenthaler, Board Member Stockholder, Paul and Wayne's Inc.	Repairs	\$9,280
Laurie Kasperbauer, Board Member Stockholder, Kasperbauer Cleaners	Laundry services	\$1,570
Jerry Fleshner, Board Member Game official	Services	\$610
Amy Fordyce, Board Member Substitute Nurse	Services	\$351
Mike McCaffrey, Custodian Owns McCaffrey Saw Sharpening	Supplies	\$24

In accordance with the Chapter 279.7A of the code of Iowa, the above transactions with Mr. Tiefenthaler do not appear to represent a conflict of interest because the services provided are competitively bid.

In accordance with the Chapter 279.7A of the code of Iowa, the above transactions with the remaining three Board Members do not appear to represent a conflict of interest because the \$2,500 limit to Board Members was not exceeded.

In accordance with Attorney General's Opinion dated July 2, 1990, the above transactions with the custodian do not appear to present a conflict of interest.

- IV-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.